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Omnibus Statement on Standards for Accounting and Review Services—2008

(Amendment to Statement on Standards for Accounting and Review Services [SSARS] No. 1, Compilation and Review of Financial Statements *[AICPA,* Professional Standards, *vol. 2, AR sec. 100.01, 100.03–100.04, 100.06, 100.26–.27, 100.31, 100.36, 100.70, 100.72–.73, 100.86–.89]; amendment to SSARS No. 2,* Reporting on Comparative Financial Statements *[AICPA,* Professional Standards, *vol. 2, AR sec. 200.01, 200.29, 200.33]; amendment to SSARS No. 3,* Compilation Reports on Financial Statements Included in Certain Prescribed Forms [*AICPA,* Professional Standards, *vol. 2, AR sec. 300.01–300.03*]; *and amendment to SSARS No. 4,* Communications Between Predecessor and Successor Accountants [*AICPA,* Professional Standards, *vol. 2, AR section 400.01*])

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Omnibus Statement on Standards for Accounting and Review Services—2008

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100.01, 100.03–100.04, 100.72–100.73), AR Section 200, *Reporting on Comparative Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 200.01, 200.29, 200.33), AR Section 300, *Compilation Reports on Financial Statements Included in Certain Prescribed Forms* (AICPA, *Professional Standards*, vol. 2, AR sec. 300.01–300.03), and AR Section 400, *Communications Between Predecessor and Successor Accountants* (AICPA, *Professional Standards*, vol. 2, AR sec. 400.01)—Replacement of term *nonpublic entity* with *nonissuer*.

1. AR section 100, *Compilation and Review of Financial Statements*, sets forth the performance and communication requirements when an accountant submits unaudited financial statements of a nonpublic entity to his or her client or third parties. This amendment revises AR section 100 by replacing the term *nonpublic entity* with *nonissuer*. This revision conforms to the terminology utilized by other standard setters, including the Auditing Standards Board. New language is shown in boldface italics; deleted language is shown by strikethrough. Note that

only those definitions in paragraph .04 of AR section 100 that are revised, deleted, or added as a result of this amendment are reflected below. All other definitions are unchanged.

.01 This section sets forth the performance and communication requirements when an accountant submits unaudited financial statements of a ~~nonpublic entity~~ ***nonissuer*** to his or her client or third parties. The accountant should not submit unaudited financial statements of a ~~nonpublic entity~~ ***nonissuer*** to his or her client or a third party unless, as a minimum, he or she complies with the provisions of this section applicable to a compilation engagement.

a. Compilation of financial statements.[1] If the accountant performs a compilation, a communication to management is required. The type of communication depends on the following.

1. If the accountant is engaged to report on compiled financial statements or submits financial statements to a client that are or reasonably might be expected to be used by a third party, see paragraphs ~~.11–.21~~ ***.13–.23*** for reporting requirements.
2. If the accountant submits financial statements to a client that are not reasonably expected to be used by a third party, see paragraphs ~~.22–.25~~ ***.24–.27*** for required communications to management.

In deciding whether the financial statements are or reasonably might be expected to be used by a third party, the accountant may rely on management's representation without further inquiry, unless information comes to his or her attention that contradicts management's representation.

In each of the above circumstances, the performance requirements in paragraphs .05 and ~~.07 through .10~~ ***.09–.12*** apply.

1. See Appendix A [paragraph ~~.84~~***.97***], "Compilation of Financial Statements," for a flowchart ~~describing~~ ***regarding*** the requirements of Statements on Standards for Accounting and Review Services (SSARSs) for a compilation engagement.

b. Review of financial statements.[2] If the accountant performs a review, see paragraphs .05 and ~~.26 through .48~~ ***.28–.53*** for performance and reporting requirements.

.03 An accountant should not consent to the use of his or her name in a document or written communication containing unaudited financial statements of a ~~nonpublic entity~~ ***nonissuer*** unless (*a*) the accountant has compiled or reviewed the financial statements in compliance with the provisions of this statement or (*b*) the financial statements are accompanied by an indication that the accountant has not compiled or reviewed the financial statements and that the accountant assumes no responsibility for them. For example, the indication may be worded as follows:

The accompanying balance sheet of X Company as of December 31, 20X1, the related statements of income, and cash flows for the year then ended were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

If an accountant becomes aware that his or her name has been used improperly in any client-prepared document containing unaudited financial statements, the accountant should advise the client that the use of his or her name is inappropriate and should consider what other actions might be appropriate, including consultation with his or her attorney. [As amended, effective November 2002, by Statement on Standards for Accounting and Review Services No. 9.]

.04 Certain terms are defined for purposes of this section as follows.

~~*Nonpublic entity.* Any entity other than (a) one whose debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including debt or equity securities quoted only locally or regionally; (b) one that makes a filing with a regulatory agency in preparation for the sale of any class of its debt or equity securities~~

2. [Footnote deleted by the issuance of Statement on Standards for Accounting and Review Services No. 15, July 2007]

~~in a public market; or (c) a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (a) or (b). (See AR section 200, *Reporting on Comparative Financial Statements*).~~

Financial statement. A presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with generally accepted accounting principles (GAAP)[5] or an OCBOA.[6] ***Reference in the SSARSs to GAAP include, where applicable, an OCBOA.*** Financial forecasts, projections and similar presentations,[7] and financial presentations included in tax returns are not financial statements for purposes of this section. The following financial presentations are examples of financial statements and are not meant to be all-inclusive:[8]

Appropriate GAAP financial statement titles:

- Balance sheet
- Statement of income
- Statement of comprehensive income
- Statement of retained earnings
- Statement of cash flows
- Statement of changes in owners' equity
- Statement of assets and liabilities (with or without owners' equity accounts)
- Statement of operations
- Statement of revenue and expenses
- Statement of financial position (condition)

5. [Footnote deleted by the issuance of Statement on Standards for Accounting and Review Services No. 15, July 2007]

~~6. Hereafter, reference to generally accepted accounting principles (GAAP) in this Section includes, where applicable, OCBOA.~~

7. Statement on Standards for Attestation Engagements No. 10, Chapter 3, *Financial Forecasts and Projections* [AT section 301], as well as the AICPA *Guide for Prospective Financial Information*, provide guidance on preparing and reporting on financial forecasts, projections, and similar presentations.

8. [Footnote deleted by the issuance of Statement on Standards for Accounting and Review Services No. 15, July 2007]

- Statement of activities
- Summary of operations
- Statement of operations by product lines

Appropriate OCBOA financial statement titles:

- Balance sheet—cash basis
- Statement of assets and liabilities arising from cash transactions
- Statement of assets, liabilities, and stockholders' equity—income tax basis
- Statement of revenue collected and expenses paid
- Statement of revenue and expenses—income tax basis
- Statement of income—statutory basis
- Statement of operations—income tax basis

A financial statement may be, for example, that of a corporation, a consolidated group of corporations, a combined group of affiliated entities, a not-for-profit organization, a governmental entity, an estate or trust, a partnership, a proprietorship, a limited liability partnership (LLP), a limited liability company (LLC), a segment of any of these, or an individual. The method of preparation (for example, manual or computer preparation) is not relevant to the definition of a financial statement.

Issuer. ***An issuer is defined in section 3 of the Securities Exchange Act of 1934 [15 U.S.C. 78c], the securities of which are registered under section 12 of that Act (15 U.S.C. 78l), or that is required to file reports under section 15(d) (15 U.S.C. 78o(d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 U.S.C. 77a et seq.), and that it has not withdrawn.***

Nonissuer. ***All entities except for those defined as issuers.***

Communicating to Management and Others

~~.72~~***.85*** The disclosure of any evidence or information that comes to the accountant's attention during the performance of compilation or review procedures that fraud or an illegal act may have occurred to parties other than the client's senior management (or the client's board of directors, if applicable) ordinarily is not part of the accountant's responsibility and ordinarily would be precluded by the accountant's ethical or legal obligations of confidentiality. The accountant should recognize, however, that in the following circumstances a duty to disclose to parties outside of the entity may exist:

a. To comply with certain legal and regulatory requirements

b. To a successor accountant when the successor decides to communicate with the predecessor accountant in accordance with ~~SSARS No. 4~~ ***AR section 400***, *Communications Between Predecessor and Successor Accountants* ~~[section 400], as amended,~~ regarding acceptance of an engagement to compile or review the financial statements of a ~~nonpublic entity~~ ***nonissuer***

c. In response to a subpoena

Because potential conflicts between the accountant's ethical and legal obligations for confidentiality of client matters may be complex, the accountant may wish to consult with legal counsel before discussing matters covered by paragraph ~~.71~~***.84*** with parties outside the client.

Change in Engagement From Audit to Review or Compilation (or From Review to Compilation)

~~.73~~***.86*** An accountant who has been engaged to audit the financial statements of a ~~nonpublic entity~~ ***nonissuer*** in accordance with generally accepted auditing standards (or an accountant who has been engaged to review the financial statements of a ~~nonpublic entity~~ ***nonissuer*** in accordance with SSARSs) may, before the completion of the audit (review), be requested to change the engagement to a review or compilation (compilation) of financial statements. A request to change the engagement may result from a change in circumstances affecting the entity's requirement for an audit (review), a misunderstanding as to the nature of an audit, review, or compilation, or a restriction on the scope of the audit (review), whether imposed by the client or caused by circumstances.

2. AR section 200, *Reporting on Comparative Financial Statements*, establishes standards for reporting on comparative financial statements of a nonpublic entity when financial statements of one or more periods presented have been compiled and reported on or reviewed in accordance with AR section 100. This amendment revises AR section 200 by replacing the term *nonpublic entity* with *nonissuer*. This revision conforms to the terminology utilized by other standard setters, including the Auditing Standards Board. New language is shown in boldface italics; deleted language is shown by strikethrough.

.01 This statement establishes standards for reporting on comparative financial statements[1] of a ~~nonpublic entity~~ ***nonissuer*** when financial statements of one or more periods presented have been compiled and reported on or reviewed in accordance with ~~SSARS No. 1 [~~ ***AR*** section 100.~~]~~[2]

Reporting When One Period Is Audited

.29 When the current-period financial statements of a ~~nonpublic entity~~ ***nonissuer*** have been compiled or reviewed and those of the prior period have been audited, the accountant should issue an appropriate compilation or review report on the current-period financial statements and either (*a*) the report on the prior period should be reissued or (*b*) the report on the current

1. This statement supersedes Statement on Standards for Accounting and Review Services No. 1, as amended, paragraph ~~79~~ ***.92*** [section 100[~~.79~~ ***.92***]]. [Footnote revised, May 2004, to reflect the conforming changes necessary due to the issuance of Statement on Standards for Accounting and Review Services No. 10.]

2. ~~For purposes of this Statement, a nonpublic entity is any entity other than (*a*) one whose securities trade in a public market either on a stock exchange (domestic or foreign) or in the over the counter market, including securities quoted only locally or regionally, (*b*) one that makes a filing with a regulatory agency in preparation for the sale of any class of its securities in a public market, or (*c*) a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (*a*) or (*b*). This statement amends SSARS No. 1, paragraph 4 [section 100.04], by substituting the foregoing definition of a nonpublic entity.~~ The terms ***nonissuer,*** *financial statements, compilation,* and *review* are defined in paragraph 4 of SSARS No. 1 [section 100.04].

period should include as a separate paragraph an appropriate description of the responsibility assumed for the financial statements of the prior period. In the latter case, the separate paragraph should indicate (*a*) that the financial statements of the prior period were audited previously, (*b*) the date of the previous report, (*c*) the type of opinion expressed previously, (*d*) if the opinion was other than unqualified, the substantive reasons therefor, and (*e*) that no auditing procedures were performed after the date of the previous report. An example of such a separate paragraph is the following:

> The financial statements for the year ended December 31, 20X1, were audited by us (other accountants) and we (they) expressed an unqualified opinion on them in our (their) report dated March 1, 20X2, but we (they) have not performed any auditing procedures since that date.

Change of Status~~—Public/Nonpublic Entity~~ ***Issuer/Nonissuer***

.33 For example, if the entity is a ~~public entity~~ ***an issuer*** in the current period and was a ~~nonpublic entity~~ ***nonissuer*** in the prior period, a compilation or review report previously issued on the financial statements of the prior period should not be reissued or referred to in the report on the financial statements of the current and one or more prior periods.[13] If an entity is a ~~nonpublic entity~~ ***nonissuer*** in the current period and was a ~~public entity~~ ***an issuer*** in the prior period, the annual financial statements of the prior period may have been audited.[14] In these circumstances, the accountant

13. In these circumstances, the accountant should refer to ~~statements on~~ auditing standards ***promulgated by the Public Company Accounting Oversight Board*** for guidance on the appropriate method of reporting on the comparative financial statements. [Footnote renumbered by the issuance of Statement on Standards for Accounting and Review Services No. 12, July 2005.]

14. If an unaudited disclaimer of opinion was previously issued on the financial statements of the prior period, it should not be reissued or referred to in the report on the financial statements of the current period. In these circumstances, the accountant should comply with the compilation or review standards in SSARS No. 1 [section 100] (or perform an audit) and report accordingly on the financial statements of the prior period. ~~(However, see also paragraphs .34 to .36 concerning reporting during the transition period.)~~ [Footnote renumbered by the issuance of Statement on Standards for Accounting and Review Services No. 12, July 2005.]

should refer to paragraph .29 for guidance on the appropriate method of reporting on the comparative financial statements.

3. AR section 300, *Compilation Reports on Financial Statements Included in Certain Prescribed Forms* establishes standards for reporting on comparative financial statements of a nonpublic entity when financial statements of one or more periods presented have been compiled and reported on or reviewed in accordance with AR section 100. This amendment revises AR section 300 by replacing the term *nonpublic entity* with *nonissuer*. This revision conforms to the terminology utilized by other standard setters, including the Auditing Standards Board. New language is shown in boldface italics; deleted language is shown by strikethrough.

.01 The requirements of AR section 100 and AR section 200 are applicable when the unaudited financial statements of a ~~nonpublic entity~~ ***nonissuer*** are included in a prescribed form. This statement amends AR section 100 and AR section 200 to provide for an alternative form of standard compilation report when the prescribed form or related instructions call for departure from generally accepted accounting principles by specifying a measurement principle not in conformity with generally accepted accounting principles or by failing to request the disclosures required by generally accepted accounting principles.[1] This ~~Statement~~ ***section*** also provides additional guidance applicable to reports on financial statements included in a prescribed form.[2]

.02 For purposes of this ~~statement~~ ***section,*** a *prescribed form* is any standard preprinted form designed or adopted by the body to which it is to be submitted, for example, forms used by industry trade associations,

1. For purposes of this ~~Statement~~ ***section***, reference to generally accepted accounting principles includes, where applicable, a comprehensive basis of accounting other than generally accepted accounting principles as defined in paragraph .04 of AR section 100. Disclosure of the basis of accounting should be made when a comprehensive basis of accounting other than generally accepted accounting principles is used.

[2.] [Deleted to reflect the incorporation of material into relevant sections of the Statements on Standards for Accounting and Review Services.]

credit agencies, banks, and governmental and regulatory bodies other than those concerned with the sale or trading of securities. A form designed or adopted by the entity whose financial statements are to be compiled is not considered to be a prescribed form. The terms *financial statement*, ***issuer,*** and ~~nonpublic entity~~ ***nonissuer*** are defined in ~~paragraph 4 of SSARS No. 1 [section 100.04], as amended~~ paragraph ***.04*** of ***AR section 100***.

.03 There is a presumption that the information required by a prescribed form is sufficient to meet the needs of the body that designed or adopted the form and that there is no need for that body to be advised of departures from generally accepted accounting principles required by the prescribed form or related instructions. Therefore, in the absence of a requirement or a request for a review report on the financial statements included in a prescribed form, the following form of standard compilation report may be used when the unaudited financial statements of a ~~nonpublic entity~~ ***nonissuer*** are included in a prescribed form that calls for departure from generally accepted accounting principles:

> I (we) have compiled the (identification of financial statements, including period covered and name of entity) included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.
>
> My (our) compilation was limited to presenting in the form prescribed by (name of body) information that is the representation of management (owners). I (we) have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.
>
> These financial statements (including related disclosures) are presented in accordance with the requirements of (name of body), which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

4. AR section 400, *Communications Between Predecessor and Successor Accountants*, provides guidance on communications between a predecessor and successor accountant when the successor accountant decides to communicate with the predecessor accountant regarding acceptance of an engagement to compile or review the financial statements of a nonpublic entity. This amendment revises AR section 400 by replacing the term *nonpublic entity* with *nonissuer*. This revision conforms to the terminology utilized by other standard setters, including the Auditing Standards Board. New language is shown in boldface italics; deleted language is shown by strikethrough.

> **.01** This statement provides guidance on communications between a predecessor and successor accountant when the successor accountant decides to communicate with the predecessor accountant regarding acceptance of an engagement to compile or review the financial statements of a ~~nonpublic entity~~ ***nonissuer***.[1] This statement also provides guidance on inquiries a successor accountant may wish to make of a predecessor, and the predecessor's responses, to facilitate the conduct of the successor's compilation or review engagement. It also requires a successor accountant who becomes aware of information that leads him or her to believe the financial statements reported on by the predecessor accountant may require revision to request that the client communicate this information to the predecessor accountant.

Subsequent and intervening paragraphs and footnotes are renumbered.

5. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted.

[1.] [Footnote deleted by the issuance of Statement on Standards for Accounting and Review Services No. 9, November 2002.]

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100.04, 100.06, 100.26–.27, 100.31, and 100.86–.88)—Clarification of Objectives of Compilation Engagement and Review Engagement

6. Paragraph .04 of AR section 100 includes a definition of ***compilation of financial statements***. This amendment revises the definition of ***compilation of financial statements*** in paragraph .04 of AR section 100 and clarifies the objective of a compilation engagement as an engagement in which no assurance is provided and incorporating such objective in a new section entitled "Objective of a Compilation Engagement." In addition, the illustrative engagement letter for a compilation of financial statements and the illustrative engagement letter for a compilation of financial statements not intended for third party use are revised to incorporate the stated objective. This amendment also revises the definition of ***review of financial statements*** in paragraph .04 of AR section 100; revises and incorporates the objective of a review engagement in a new section entitled "Objective of a Review Engagement;" and revises paragraph .26 of AR section 100 to state that, in a review engagement, the accountant must (1) apply analytical procedures to the financial statements; (2) make inquires of management or other company personnel, or both; and (3) obtain representations from management for all financial statements and periods covered by the accountant's review report. Paragraph .31 of AR section 100 is also revised to properly state the above requirement with respect to analytical procedures. New language is shown in boldface italics; deleted language is shown by strikethrough. Note that only those definitions in paragraph .04 of AR section 100 that are revised as a result of this amendment are reflected below. The revisions made pursuant to paragraph 1 of this proposed Statement on Standards for Accounting

and Review Services are not reflected below. All other definitions are unchanged.

Definitions

.04 Certain terms are defined for purposes of this section as follows.

Compilation of financial statements. ***A service, the objective of which is to present in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the financial statements.*** ~~Presenting in the form of financial statements~~ ~~[fn 9]~~ ~~information that is the representation of management (owners) without undertaking to express any assurance on the statements. (The accountant might consider it necessary to perform other accounting services to compile the financial statements. See paragraph .08.)~~

Review of financial statements. ***A service, the objective of which is to express limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with GAAP.*** ~~Performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with GAAP or, if applicable, with OCBOA. (The accountant might consider it necessary to compile the financial statements or to perform other accounting services to enable him or her to perform a review. See paragraph .37.)~~

~~The objective of a review differs significantly from the objective of a compilation. The inquiry and analytical procedures performed in a review should provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements. No expression of assurance is contemplated in a compilation.~~

~~9. Paragraphs .19–.22 provide guidance to the accountant engaged to compile financial statements that omit substantially all the disclosures required by GAAP or OCBOA.~~

~~The objective of a review also differs significantly from the objective of an audit of financial statements in accordance with generally accepted auditing standards (GAAS). The objective of an audit is to provide a reasonable basis for expressing an opinion regarding the financial statements taken as a whole. A review does not provide a basis for the expression of such an opinion because a review does not contemplate obtaining an understanding of internal control or assessing control risk; tests of accounting records and of responses to inquiries by obtaining corroborating evidential matter through inspection, observation, or confirmation; and certain other procedures ordinarily performed during an audit. A review may bring to the accountant's attention significant matters affecting the financial statements, but it does not provide assurance that the accountant will become aware of all significant matters that would be disclosed in an audit.~~

Compilation of Financial Statements

Objective of a Compilation Engagement

.06 The objective of a compilation engagement is to present in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the financial statements.

~~.06~~ ***.07*** Paragraphs ~~.07~~ ***.08***–~~.10~~ ***.11*** are applicable to a compilation of financial statements, whenever the accountant—

- Is engaged to report on compiled financial statements.
- Submits financial statements to a client that are or reasonably might be expected to be used by a third party.
- Submits financial statements to a client that are not expected to be used by a third party.

Limitations of a Compilation Engagement

.12 A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a

review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Therefore, a compilation does not provide a basis for expressing any level of assurance on the financial statements being compiled.

Review of Financial Statements

Objective of a Review Engagement

.28 The objective of a review engagement is to express limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with GAAP.

Review Performance Requirements

~~.26~~ ***.29*** ~~Paragraphs .27 through .48 provide additional guidance applicable to a review of financial statements.~~ ***In order to obtain a reasonable basis for the expression of limited assurance, the accountant must***

- ***apply analytical procedures to the financial statements, as discussed in paragraphs .36–.37 of AR section 100.***
- ***make inquiries of management and, when deemed appropriate, other company personnel, as discussed in paragraph .38 of AR section 100.***
- ***obtain representations from management for all financial statements and periods covered by the accountant's review report, as discussed in paragraphs .39–.42 of AR section 100.***

~~Procedures for conducting a review of financial statements generally are limited to analytical procedures, and inquiries. The accountant performs these procedures to obtain a basis for communicating whether he or she is aware of any material modifications that~~

~~should be made to the financial statements for them to be in conformity with generally accepted accounting principles.~~

.30 The ***analytical and other procedures performed and the*** specific inquiries made ~~and the analytical and other procedures performed~~ should be tailored to the engagement based on the accountant's knowledge of the entity's business. For example, if the accountant becomes aware of a significant change in the entity's operations, the accountant may consider making additional inquiries, employing additional analytical procedures, or both.

~~.27~~ ***.31*** ~~A review does not contemplate obtaining an understanding of internal control or assessing control risk,; assessing fraud risks,; tests of accounting records and of responses to inquiries by obtaining corroborating evidential matter performance of procedures designed to detect material misstatements due to fraud or illegal acts, and certain other procedures ordinarily performed during an audit. Thus, a review does not provide assurance that the accountant will become aware of all significant matters that would be disclosed in an audit. However,~~ ***During the performance of the review procedures,*** the accountant may become aware that information coming to his or her attention is incorrect, incomplete, or otherwise unsatisfactory~~. If any evidence or information comes to the accountant's attention regarding~~ ***or that*** fraud or an illegal act ~~that~~ may have occurred~~,~~. ~~t~~***T***he accountant should request that management consider the effect of the***se*** matter***s*** on the financial statements. Additionally, the accountant should consider the effect of the***se*** matter***s*** on his or her review report. In circumstances where the accountant believes the financial statements are materially misstated, the accountant should perform ~~the~~ additional procedures deemed necessary to achieve limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles. (See paragraph ~~.46~~***.51***) for guidance when an accountant is unable to complete a review and paragraphs ~~.51~~***.56***–~~.53~~***.58*** for the accountant's responsibilities when he or she is aware of departures from generally accepted accounting principles.)

Limitations of a Review Engagement

.32 A review differs significantly from an audit of financial statements in which the auditor provides reasonable assurance that the financial statements, taken as a whole, are free of material misstatement. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, a review does not provide assurance that the accountant will become aware of all significant matters that would be disclosed in an audit. Therefore, a review provides only limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with GAAP.

Analytical Procedures

~~.31~~***.36 In a review engagement,*** ~~The~~ ***the*** accountant ~~should~~ ***must*** apply analytical procedures to the financial statements. ***The purpose of analytical procedures is*** to identify and provide a basis for inquiry about the relationships and individual items that appear to be unusual and that may indicate a material misstatement. Analytical procedures ~~should~~ include:

- Developing expectations by identifying and using plausible relationships that are reasonably expected to exist based on the accountant's understanding of the entity and the industry in which the entity operates.
- Comparing recorded amounts, or ratios developed from recorded amounts, to expectations developed by the accountant.

See Appendix I [paragraph ~~.92~~***.105***] for examples of analytical procedures an accountant may consider performing when conducting a review of financial statements.

Subsequent and intervening paragraphs and footnotes are renumbered.

APPENDIX C

Compilation of Financial Statements—Illustrative Engagement Letter

~~.86~~ *.99*

[*Appropriate Salutation*]

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

We will compile, from information you provide, the annual [*and interim, if applicable*] balance sheet and related statements of income, retained earnings, and cash flows of XYZ Company for the year 20XX.

We will compile the financial statements and issue an accountant's report thereon in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. ~~A compilation is limited to presenting, in the form of financial statements, information that is the representation of management.~~ ***The objective of a compilation is to present in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the financial statements.*** ~~We will not audit or review the financial statements and, accordingly, will not express an opinion or any other form of assurance on them.~~

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, the examination of source documents

(for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Therefore, a compilation does not provide a basis for expressing any level of assurance on the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our compilation procedures, that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.

As part of our engagement, we will also (list any nonattest services to be performed, if applicable, such as income tax preparation and bookkeeping services).

You are responsible for:

a. Making all management decisions and performing all management functions;

b. Designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services;

c. Evaluating the adequacy and results of the services performed;

d. Accepting responsibility for the results of the services; and

e. Establishing and maintaining internal controls, including monitoring ongoing activities.

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our fees for these services . . . .

We will be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.*

Sincerely yours,

____

[*Signature of accountant*]

Acknowledged:
XYZ Company

____

President

____

Date

*Some accountants prefer not to obtain an acknowledgment, in which case their letter would omit the paragraph beginning, "If the foregoing . . ." and the spaces for the acknowledgment. The first paragraph of their letter might begin as follows: "This letter sets forth our understanding of the terms and objectives of our engagement. . ."

APPENDIX D

Compilation of Financial Statements Not Intended for Third Party Use—Illustrative Engagement Letter

~~.87~~***.100***

[*Appropriate Salutation*]

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

We will compile, from information you provide, the [*monthly, quarterly, or other frequency*] financial statements of XYZ Company for the year 20XX.

We will compile the financial statements in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. ~~A compilation is limited to presenting, in the form of financial statements, information that is the representation of management.~~ T***he objective of a compilation engagement is to present in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the financial statements.*** ~~We will not audit or review the financial statements and, accordingly, will not express an opinion or any other form of assurance on them.~~

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through

inspection, observation, confirmation, the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Therefore, a compilation does not provide a basis for expressing any level of assurance on the financial statements being compiled.

The financial statements will not be accompanied by a report. Based upon our discussions with you, these statements are for management's use only and are not intended for third-party use.

Material departures from generally accepted accounting principles (GAAP) ~~or other comprehensive basis of accounting (OCBOA)~~ may exist and the effects of those departures, if any, on the financial statements may not be disclosed. In addition substantially all disclosures required by GAAP ~~or OCBOA~~ may be omitted. (The accountant may wish to identify known departures.) Notwithstanding these limitations, you represent that you have knowledge about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of the financial statements that allows you to place the financial information in the proper context. Further, you represent and agree that the use of the financial statements will be limited to members of management with similar knowledge.

The financial statements are intended solely for the information and use of [*include list of specified members of management*] and are not intended to be and should not be used by any other party—[*optional*].

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our compilation procedures, that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures, regarding illegal acts that may have occurred unless they are clearly inconsequential.

We are not independent with respect to [*name of entity*] [*if applicable*].

As part of our engagement, we will also (list any nonattest services to be provided, if applicable, such as income tax preparation and bookkeeping services).

You are responsible for:

a. Making all management decisions and performing all management functions;

b. Designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services;

c. Evaluating the adequacy and results of the services performed;

d. Accepting responsibility for the results of the services; and

e. Establishing and maintaining internal controls, including monitoring ongoing activities.

The other data accompanying the financial statements are presented only for supplementary analysis purposes and will be compiled from information that is the representation of management, without audit or review, and we do not express an opinion or any other form of assurance on such data—[*if applicable*].

Our fees for these services . . .

Should you require financial statements for third-party use, we would be pleased to discuss with you the requested level of service. Such engagement would be considered separate and not deemed to be part of the services described in this engagement letter.

We will be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us. *

Sincerely yours,

____

[*Signature of accountant*]

Accepted and agreed to:
XYZ Company

____

Title

____

Date

Subsequent and intervening paragraphs and footnotes are renumbered.

*Some accountants prefer not to obtain an acknowledgment, in which case their letter would omit the paragraph beginning, "If the foregoing . . ." and the spaces for the acknowledgment. The first paragraph of their letter might begin as follows: "This letter sets forth our understanding of the terms and objectives of our engagement. . ."

APPENDIX E

Review of Financial Statements—Illustrative Engagement Letter

~~.88~~***.101***

[*Appropriate Salutation*]

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

We will review the financial statements of XYZ Company as of December 31, 20XX, and issue an accountant's report thereon in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. ***The objective of a review engagement is to express limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in accordance with generally accepted accounting principles.*** ~~We will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, we will not express such an opinion on them.~~

A review differs significantly from an audit of financial statements, in which the auditor provides reasonable assurance that the financial statements, taken as a whole, are free of material misstatement. A review ~~consists primarily of inquiries of company personnel and analytical procedures applied to financial data. A review~~ does not contemplate obtaining an understanding of ***the entity's*** internal control ~~or assessing control risk,~~***; assessing fraud risk;*** tests of accounting records ~~and responses to inquiries~~ by obtaining ~~corroborating evidential matter~~ ***sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of***

source documents (for example, cancelled checks or bank images); ~~, and certain~~ ***and*** other procedures ordinarily performed ~~during~~ ***in*** an audit. ~~Thus~~***Accordingly***, a review does not provide assurance that we will become aware of all significant matters that would be disclosed in an audit. ***Therefore, a review provides only limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles.***

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our review procedures, that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.

As part of our engagement, we will also (list any nonattest services to be provided, if applicable, such as income tax preparation and bookkeeping services).

You are responsible for:

a. Making all management decisions and performing all management functions;

b. Designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services;

c. Evaluating the adequacy and results of the services performed;

d. Accepting responsibility for the results of the services; and

e. Establishing and maintaining internal control~~s~~, including monitoring ongoing activities.

As part of our review procedures, we will require certain written representations from management about the financial statements and matters related thereto.

If, for any reason, we are unable to complete our review of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our fees for these services. . . .

We will be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Sincerely yours,

____

[*Signature of accountant*]

Acknowledged:
XYZ Company

____

President

____

Date

7. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted.

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100.04)—Definitions of Those Charged with Governance, Management, and Third Parties

8. This amendment revises the definition of *third parties* in paragraph .04 of AR section 100 to clarify that the phrase "who are knowledgeable about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of financial statements" applies to "members of management." In addition, this amendment introduces definitions of *those charged with governance* and *management*. New language is shown in boldface italics. Note that only those definitions in paragraph .04 of AR section 100 that are revised or added as a result of this amendment are reflected below. The revisions made pursuant to paragraphs 1 and 6 of this proposed Statement on Standards for Accounting and Review Services are not reflected below. All other definitions are unchanged.

Definitions

.04 Certain terms are defined for purposes of this section as follows.

Those charged with governance. ***The person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. In some cases, those charged with governance are responsible for approving the entity's financial statements (in other cases, management has this responsibility). In some entities, governance is a collective responsibility that may be carried out by a board of directors, a committee of the board of directors, a committee of management, partners, equivalent persons, or some combination thereof. Those charged with governance are specifically excluded***

from management, unless they perform management functions as defined below.

Management. ***The person(s) responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.***

Third party. All ~~parties~~***persons, including those charged with governance***, except for ***those*** members of management ***as defined above.*** ~~who are knowledgeable about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of financial statements.~~[4]

9. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted.

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100.36 and .89)—Dating of the Management Representation Letter

10. This amendment revises paragraphs .36 and .89 of AR section 100 to state that because (1) review procedures include obtaining representations from management for all financial statements and periods covered by the accountant's review report and (2) the accountant's review report should be dated as of the completion of the accountant's review procedures as well as the fact that the accountant is concerned with events occurring through the date of the review report that may require adjustment

4. The accountant may wish to specify those members of management. See Appendix D [paragraph ~~.87~~***.100***], "Compilation of Financial Statements Not Intended For Third-Party Use—Illustrative Engagement Letter."

to or disclosure in the financial statements, management's representations should be made as of the date of the accountant's review report.

Management Representations Letter

~~.36~~***.41 In a review engagement, the accountant must obtain representations from management for all financial statements and periods covered by the accountant's review report. Because the accountant is concerned with events occurring through the date of the report that may require adjustment to or disclosure in the financial statements, management's representations set forth in the management representation letter should be made as of the date of the accountant's review report. The accountant need not be in physical receipt of the management representation letter as of the date of the accountant's review report provided that management has acknowledged that they will sign the representation letter without modification, and it is received prior to the date the report is released.*** The ~~written representations~~ ***management representation letter*** should be addressed to the accountant. ~~Because the accountant is concerned with events occurring through the date of the report that may require adjustment to or disclosure in the financial statements, the representations should be made as of a date no earlier than the date of the accountant's report.~~ The letter should be signed by those members of management whom the accountant believes are responsible for and knowledgeable, directly or through others in the organization, about the matters covered in the representation letter. Normally, the chief executive officer and chief financial officer or others with equivalent positions in the entity should sign the representation letter. If the current management was not present during all periods covered by the accountant's report, the accountant should nevertheless obtain written representations from current management on all such periods.

APPENDIX F

Review of Financial Statements—Illustrative Representation Letter

~~.89~~*.102*

A review of financial statements consists principally of inquiries of company personnel and analytical procedures applied to financial data. As part of a review of financial statements, the accountant is required to obtain a written representation from his or her client to confirm the oral representations made to the accountant. The introductory paragraph should specify the financial statements and periods covered by the accountant's review report~~, for example, "balance sheets of XYZ Company as of December 31, 20X1 and 20X0, and the related statements of income and retained earnings, and cash flows for the years then ended."~~.

If matters exist that should be disclosed to the accountant, they should be indicated by listing them following the representation. For example, if an event subsequent to the date of the balance sheet has been disclosed in the financial statements, the subsequent events paragraph could be modified as follows: "To the best of our knowledge and belief, except as discussed in Note X to the financial statements, no events have occurred. . . ." Similarly, in appropriate circumstances, item 4 could be modified as follows: "The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plans to dispose of Segment A, as disclosed in Note X to the financial statements, which are discussed in the minutes of the December 7, 20X1, meeting of the board of directors."

The following representation letter is included for illustrative purposes only. The accountant may decide, based on the circumstances of the review engagement or the industry in which the entity operates, that other matters should be specifically included in the letter or that some of the representations included in the illustrative letter are not necessary.

(Date[1])
(To the Accountant)

We are providing this letter in connection with your review of the (identification of financial statements~~, for example, balance sheets and related statements of income and retained earnings, and cash flows~~) of (name of entity) as of (dates, for example, December 31, 20X1 and December 31, 20X2) and for the (periods of review, for example, for the years then ended) for the purpose of expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.[2]

We confirm, to the best of our knowledge and belief, [as of (the date of the accountant's review report)] the following representations made to you during your review.

1. This date should be the date that ***the client presents and signs*** the letter ~~is presented and signed by the client~~. In no event should the letter be presented and signed prior to the ~~completion of the review~~ ***date of the accountant's review report***.

2. The qualitative discussion of materiality used in this letter is adapted from Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 2, *Qualitative Characteristics of Accounting Information*.

1. The financial statements referred to above are fairly presented in conformity with generally accepted accounting principles.

2. We have made available to you all:

   a. Financial records and related data.

   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

4. We acknowledge our responsibility to prevent and detect fraud.

5. We have no knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others.

6. We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.

7. There are no material losses (such as from obsolete inventory or purchase or sales commitments) that have not been properly accrued or disclosed in the financial statements.

8. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

   b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion that must be disclosed in accordance with

Financial Accounting Standards Board (FASB) Statement No. 5 [AC section C59], *Accounting for Contingencies*.[3]

c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5

9. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.

10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

11. The following have been properly recorded or disclosed in the financial statements:

a. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

b. Guarantees, whether written or oral, under which the company is contingently liable.

c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. [Significant estimates are estimates at the balance sheet date that could change materially with

3. If management has not consulted a lawyer regarding litigation, claims, and assessments, the representation might be worded as follows:

> We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board Statement No. 5 [AC section C59], *Accounting for Contingencies*, and we have not consulted a lawyer concerning litigation, claims, or assessments.

the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]

[*Add additional representations that are unique to the entity's business or industry. See below for additional illustrative representations.*]

12. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the company's accounts. (if applicable)
13. To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.[4]
14. We have responded fully and truthfully to all inquiries made to us by you during your review.

____

(Name of Owner or Chief Executive Officer and Title)

____

(Name of Chief Financial Officer and Title, where applicable)

Representation letters ordinarily should be tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry. The following is a list of additional representations that may be appropriate in certain situations. This list is not intended to be all-inclusive. The accountant should consider the effects of pronouncements issued subsequent to the issuance of this section.

4. If the accountant "dual dates" his or her report, the accountant should consider whether obtaining additional representations relating to the subsequent event is appropriate.

General

Condition	*Illustrative Examples*
The impact of a new accounting principle is not known.	We have not completed the process of evaluating the impact that will result from adopting Financial Accounting Standards Board (FASB) Statement No. [*XXX, Name*], as discussed in Note [*X*]. The company is therefore unable to disclose the impact that adopting FASB Statement No. [*XXX*] will have on its financial position and the results of operations when such statement is adopted.
There is justification for a change in accounting principles.	We believe that [*describe the newly adopted accounting principle*] is preferable to [*describe the former accounting principle*] because [*describe management's justification for the change in accounting principles*].
Financial circumstances are strained, with disclosure of management's intentions and the entity's ability to continue as a going concern.	Note [*X*] to the financial statements discloses all of the matters of which we are aware that are relevant to the company's ability to continue as a going concern, including significant conditions and events, and management's plans.
The possibility exists that the value of specific significant long-lived assets or certain identifiable intangibles may be impaired.	We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.
The entity has a variable interest in another entity.	Variable interest entities (VIEs) and potential VIEs and transactions with VIEs and potential VIEs have been properly recorded and disclosed in the financial statements in accordance with GAAP.

General

Condition	*Illustrative Examples*
	We have considered both implicit and explicit variable interests in (*a*) determining whether potential VIEs should be considered VIEs, (*b*) calculating expected losses and residual returns, and (*c*) determining which party, if any, is the primary beneficiary.
	We have provided you with lists of all identified variable interests in (*a*) VIEs, (*b*) potential VIEs that we considered but judged not to be VIEs, and (*c*) entities that were afforded the scope exceptions of FASB Interpretation (FIN) No. 46R, *Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51*.
	We have advised you of all transactions with identified VIEs, potential VIEs, or entities afforded the scope exceptions of FIN No. 46R.
	We have made available all relevant information about financial interests and contractual arrangements with related parties, de facto agents, and other entities, including but not limited to, their governing documents, equity and debt instruments, contracts, leases, guarantee arrangements, and other financial contracts and arrangements.
	The information we provided about financial interests and contractual arrangements with related parties, de facto agents, and other entities includes information about all transactions, unwritten understandings, agreement modifications, and written and oral side agreements.

(continued)

General ***(continued)***

Condition	*Illustrative Examples*
	Our computations of expected losses and expected residual returns of entities that are VIEs and potential VIEs are based on the best information available and include all reasonably possible outcomes. Regarding entities in which the company has variable interests (implicit and explicit), we have provided all information about events and changes in circumstances that could potentially cause reconsideration about whether the entities are VIEs or whether the company is the primary beneficiary or has a significant variable interest in the entity. We have made and continue to make exhaustive efforts to obtain information about entities in which the company has an implicit or explicit interest but that were excluded from complete analysis under FIN No. 46R due to lack of essential information to determine one or more of the following: whether the entity is a VIE, whether the company is the primary beneficiary, or the accounting required to consolidate the entity.
The work of a specialist has been used by the *the entity.*	We agree with the findings of specialists in evaluating the [*describe assertion*] and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Assets

Condition	*Illustrative Examples*
Cash Disclosure is required of compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.	Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
Financial Instruments Management intends to and has the ability to hold to maturity debt securities classified as held-to-maturity.	Debt securities that have been classified as held-to-maturity have been so classified due to the company's intent to hold such securities to maturity and the company's ability to do so. All other debt securities have been classified as available-for-sale or trading.
Management considers the decline in value of debt or equity securities to be temporary.	We consider the decline in value of debt or equity securities classified as either available-for-sale or held-to-maturity to be temporary.
Management has determined the fair value of significant financial instruments that do not have readily determinable market values.	The methods and significant assumptions used to determine fair values of financial instruments are as follows: [*describe methods and significant assumptions used to determine fair values of financial instruments*]. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
There are financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk.	The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

(continued)

Assets *(continued)*

Condition	*Illustrative Examples*
	1. The extent, nature, and terms of financial instruments with off-balance-sheet risk 2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments 3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments
Receivables Receivables have been recorded in the financial statements.	Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
Inventories Excess or obsolete inventories exist.	Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
Investments There are unusual considerations involved in determining the application of equity accounting.	[*For investments in common stock that are either nonmarketable or of which the entity has a 20 percent or greater ownership interest, select the appropriate representation from from the following:*] • The equity method is used to account for the company's investment in the common stock of [*investee*] because the company has the ability to exercise significant influence over the investee's operating and financial policies.

Assets

Condition	*Illustrative Examples*
	• The cost method is used to account for the company's investment in the common stock of [*investee*] because the company does not have the ability to exercise significant influence over the investee's operating and financial policies.
Deferred Charges Material expenditures have been deferred.	We believe that all material expenditures that have been deferred to future periods will be recoverable.
Deferred Tax Assets A deferred tax asset exists at the balance-sheet date.	The valuation allowance has been determined pursuant to the provisions of FASB Statement No. 109, *Accounting for Income Taxes*, including the company's estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. [*Complete with appropriate wording detailing how the entity determined the valuation allowance against the deferred tax asset.*] or A valuation allowance against deferred tax assets at the balance-sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized.

(continued)

Liabilities *(continued)*

Condition	*Illustrative Examples*
Debt Short-term debt could be refinanced on a long-term basis and management intends to do so.	The company has excluded short-term obligations totaling $[*amount*] from current liabilities because it intends to refinance the obligations on a long-term basis. [*Complete with appropriate wording detailing how amounts will be refinanced as follows:*] • The company has issued a long-term obligation [*debt security*] after the date of the balance sheet but prior to the issuance of the financial statements for the purpose of refinancing the short-term obligations on a long-term basis. • The company has the ability to consummate the refinancing, by using the financing agreement referred to in Note [*X*] to the financial statements.
Tax-exempt bonds have been issued.	Tax-exempt bonds issued have retained their tax-exempt status.
Taxes Management intends to reinvest undistributed earnings of a foreign subsidiary.	We intend to reinvest the undistributed earnings of [*name of foreign subsidiary*].
Contingencies Estimates and disclosures have been made of environmental remediation liabilities and related loss contingencies.	Provision has been made for any material loss that is probable from environmental remediation liabilities associated with [*name of site*]. We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the company's financial statements.

Liabilities

Condition	*Illustrative Examples*
Agreements may exist to repurchase assets previously sold.	Agreements to repurchase assets previously sold have been properly disclosed.
Pension and Postretirement Benefits An actuary has been used to measure pension liabilities and costs.	We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
There is involvement with a multiemployer plan.	We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan. or We have determined that there is the possibility of a withdrawal liability in a multiemployer plan in the amount of $[*XX*].
Postretirement benefits have been eliminated.	We do not intend to compensate for the elimination of postretirement benefits by granting an increase in pension benefits. or We plan to compensate for the elimination of postretirement benefits by granting an increase in pension benefits in the amount of $[*XX*].
Employee layoffs that would otherwise lead to a curtailment of a benefit plan are intended to be temporary.	Current employee layoffs are intended to be temporary.

(continued)

Liabilities *(continued)*

Condition	*Illustrative Examples*
Management intends to either continue to make or not make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost, or has expressed a substantive commitment to increase benefit obligations.	We plan to continue to make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost. or We do not plan to make frequent amendments to its pension or other postretirement benefit plans.

Equity

Condition	*Illustrative Examples*
There are capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.	Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements have been properly disclosed.

Income Statement

Condition	*Illustrative Examples*
There may be a loss from sales commitments.	Provisions have been made for losses to be sustained in the fulfillment of or from inability to fulfill any sales commitments.
There may be losses from purchase commitments.	Provisions have been made for losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
Nature of the product or industry indicates the possibility of undisclosed sales terms.	We have fully disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions.

11. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100)—An Entity's Ability to Continue as a Going Concern

12. Currently AR section 100 does not provide guidance with respect to an accountant's consideration of the entity's ability to continue as a going concern during the performance of compilation or review procedures. This amendment revises AR section 100 to include such guidance.

> *.69 During the performance of compilation or review procedures, evidence or information may come to the accountant's attention indicating that there may be an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being compiled or reviewed (hereinafter referred to as a reasonable period of time). In those circumstances, the accountant should request that management consider the possible effects of the going concern uncertainty on the financial statements, including the need for related disclosure.*
>
> *.70 After management communicates to the accountant the results of its consideration of the possible effects on the financial statements, the accountant should consider the reasonableness of management's conclusions including the adequacy of the related disclosures, if applicable.*
>
> *.71 If the accountant determines that management's conclusions are unreasonable or the disclosure of the uncertainty regarding the entity's ability to continue as a going concern is not adequate, he or she should follow the guidance in paragraphs .56–.58 of AR*

> ***section 100 with respect to departures from generally accepted accounting principles.***
>
> ***.72 The accountant may emphasize an uncertainty about an entity's ability to continue as a going concern provided the uncertainty is disclosed in the financial statements. In such circumstances, the accountant should follow the guidance in paragraphs .54–.55 of AR section 100.***

13. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted.

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100)—Subsequent Events

14. Currently AR section 100 does not provide guidance with respect to an accountant's consideration of subsequent events in a compilation or review engagement. This amendment revises AR section 100 to include such guidance.

> ***.73 Events or transactions sometimes occur subsequent to the balance sheet date, but prior to management's issuance of financial statements that have a material effect on the financial statements, and therefore require adjustment to or disclosure in the statements. These occurrences hereinafter are referred to as "subsequent events."***
>
> ***.74 Evidence or information that a subsequent event that has a material effect on the compiled or reviewed financial statements has occurred may come to the accountant's attention in the following ways:***
>
> (a) ***During the performance of compilation or review procedures***

(b) ***Subsequent to the date of the accountant's compilation or review report but prior to the release of the report***[37]

In either case, the accountant should request that management consider the possible effects on the financial statements including the adequacy of any related disclosure, if applicable.

.75 If the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, he or she should follow the guidance in paragraphs .56–.58 of AR section 100, **Departures From Generally Accepted Accounting Principles.**

.76 Occasionally, a subsequent event has such a material impact on the entity that the accountant may wish to include in his or her compilation or review report an explanatory paragraph directing the reader's attention to the event and its effects. Such an emphasis of matter paragraph may be added, at the accountant's discretion, provided that the matter is disclosed in the financial statements. See paragraphs .54–.55 of AR section 100 for additional guidance with respect to emphasis of matter paragraphs.

15. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted.

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2, AR sec. 100.70)—Supplementary Information

16. In paragraph .70 of AR section 100, which provides guidance on supplementary information, it is stated that "the review has been made primarily for the purpose of

37. For purposes of this section, with respect to compiled financial statements in which the accountant does not report, the submission of the compiled financial statements is the equivalent of the accountant's compilation or review report date.

expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles." In order to clarify the guidance in Statements on Standards for Accounting and Review Services, the word *primarily* will be deleted from the paragraph. New language is shown in boldface italics; deleted language is shown by strikethrough.

> ~~.70~~ ***.83*** When the basic financial statements are accompanied by information presented for supplementary analysis purposes, the accountant should clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information.
>
> - When the accountant has reviewed the basic financial statements, an explanation should be included in the review report, or in a separate report on the other data. The report should state that the review has been made *primarily* for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles, and either
>
>   *a.* The other data accompanying the financial statements are presented only for supplementary analysis purposes and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and the accountant did not become aware of any material modifications that should be made to such data, or
>
>   *b.* The other data accompanying the financial statements are presented only for supplementary analysis purposes and have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review, and the accountant does not express an opinion or any other form of assurance on such data.

When the accountant has compiled both the basic financial statements and other data presented only for supplementary analysis purposes, the compilation report should refer to the other data or the accountant can issue a separate report on the other data. If a separate report is issued, the report should state that the other data accompanying the financial statements are presented only for supplementary analysis purposes and that the information has been compiled from information that is the representation of management, without audit or review, and the accountant does not express an opinion or any other form of assurance on such data.

17. This amendment is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008. Early application is permitted.

Amendment to AR Section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2)—Analytical Procedures in a Review Engagement

18. This amendment incorporates guidance with respect to analytical procedures in a review engagement as an exhibit to the Codification of Statements on Standards for Accounting and Review Services. New language is shown in boldface italics.

Exhibit A

Analytical Procedures in a Review Engagement

Notice to Readers

The purpose of the documentation guidance contained in this exhibit is to illustrate how an accountant might document expectations in a review engagement. The examples are presented for illustrative purposes only and should not be considered to represent either minimum or maximum documentation requirements.

This exhibit is an other compilation and review publication *as defined in AR section 50,* Standards for Accounting and Review Services. Other compilation and review publications *have no authoritative status; however, they may help the accountant understand and apply SSARSs. If an accountant applies the guidance included in an other compilation and review publication, the accountant should be satisfied that, in his or her judgment, it is both appropriate and relevant to the circumstances of the subject engagement. This publication was reviewed by the AICPA Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate.*

Expectations

Forming an expectation is an integral phase of the analytical procedure process. Expectations are the accountant's predictions of recorded amounts or ratios developed from recorded amounts. In performing analytical procedures, the accountant develops the expectation in such a way that a material difference between the expectation and the recorded amount or ratio is indicative of a possible misstatement and, therefore, the accountant should obtain explanations for the difference (for example, an unusual event occurred). Expectations are developed by identifying plausible relationships (for example, store square footage and retail sales) that are reasonably expected to exist based on the accountant's understanding of the client and the industry in which the client operates. The accountant selects from a variety of data sources to form expectations. For example, the accountant may use prior-period information (adjusted for expected changes), management's budgets or forecasts, industry data, or nonfinancial data. Additionally, information that is developed when an accountant compiles interim financial statements can be utilized by the accountant in developing expectations associated with the review of financial statements.

An accountant cannot, under any circumstances, perform effective analytical procedures without first developing expectations related to the results of those *analytical procedures. Expectations developed by the accountant in performing analytical procedures in connection with a review of financial statements ordinarily are less encompassing than those developed in an audit.*

Pursuant to paragraph .45 of AR section 100, the accountant should document expectations and factors considered in the development of those expectations where significant expectations are not otherwise readily determinable from the documentation of the work performed.

The following represents examples of how an accountant can document expectations. These examples are not intended to be all inclusive.

Example 1—Expected increase in revenue

An accountant is engaged to review the financial statements of a company that manufactures components that are utilized by other companies in customizing vehicles for use by the United States military. Because of various conflicts occurring in the world and the United States' role in those conflicts, the accountant reasonably expects sales to increase. Using his or her knowledge of the client, the client's business, and the industry in which the client operates, the accountant expects a 10 percent to 15 percent increase in sales. Further, the accountant concludes that receivables should increase and that loans payable and interest expense would also increase because the client would need to borrow money to fund the additional production.

<u>Sample documentation</u>

Teemickmag Military Supply Company
Analytical Procedures
For the year ended December 31, 20XX

<u>Expectations</u>

The following are factors that should affect the relationship between current and prior year amounts:

- *Increase in military spending by the government due to world events should result in an increase in sales. Expected increase is between 10 percent and*

15 percent. The accountant expects a similar increase in accounts receivable.

- *Because of an increase in production of military vehicles, the company had to borrow additional funds. Therefore, expected increase in loans payable and interest expense is between 10 percent and 15 percent.*
- *No significant change in either days sales in inventory or inventory turnover is expected. Although a build-up in inventory is expected, that build-up is not expected to correspond with the increase in sales because the vehicles are expected to be sold near the date of completion. Any change greater than 5 percent will be subjected to additional inquiries.*

Balance sheets and income statements are available for the current year and the two years prior to the current year.

Trend analysis

	Current Year	*Prior Year*	*Change*	*% Change*
Sales	*$2,500,000*	*$2,175,000*	*$325,000*	*14.94%*
Cost of goods sold	*1,780,000*	*1,566,000*	*214,000*	*13.67%*
Gross margin	*720,000*	*609,000*		
Gross margin as a % of sales	*28.80%*	*28.00%*		
Selling expenses	*230,000*	*184,000*	*46,000*	*25.00%*
Interest expense	*48,000*	*42,000*	*6,000*	*14.29%*

Balance sheet ratio analysis

	Current Year	*Prior Year*	*Two Years Prior*
Accounts receivable, net	*$1,100,000*	*$843,000*	*$703,000*
Inventory	*1,000,000*	*832,000*	*694,000*
Loans payable	*498,000*	*437,000*	*418,000*

Days sales in receivables

Days sales in receivables = Accounts receivable, net at end of period / (Net sales/365)

Current year days sales in receivables = $1,100,000 / ($2,500,000 / 365) = 161 days

Prior year days sales in receivables = $843,000 / ($2,175,000 / 365) = 141 days

The increase of 20 days sales in receivables (161 days —141 days) represents a 14 percent increase. Because this increase is within the expected range, no further inquiry is necessary.

Days sales in inventory

Days sales in inventory = Inventory at the end of period / (Total cost of goods sold / 365)

Current year days sales in inventory = $1,000,000 / ($1,780,000 / 365) = 205 days

Prior year days sales in inventory = $832,000 / ($1,566,000 / 365) = 194 days

The increase of 11 days sales in inventory (205 days—194 days) represents a 6 percent increase. Since this increase is greater than expected, the accountant should inquire of the client and document the reason for the unexpected increase.

Inventory turnover

Inventory turnover = Cost of goods sold / Average inventory

Current year inventory turnover = $1,780,000 / ([$1,100,000 + 832,000] / 2) = 1.84 times

Prior year inventory turnover = $ 1,566,000 / ([$832,000 + 694,000] / 2) = 2.05 times

The inventory turnover decreased 10 percent; therefore, because this decrease is greater than expected, the accountant should inquire of the client and document the reason for the unexpected decrease.

The preceding documentation would be adequate. Further, after performing the trend analysis, the accountant concludes that sales, costs of goods sold, and interest expense are all "reasonable" given the expectations associated with these amounts. In addition, with respect to balance sheet accounts, the increase in loans payable is also reasonable (14 percent increase) when considered with the corresponding increase in interest expense and the expectation associated with *the loan payable account; however, because selling expenses increased by 25 percent, the accountant should inquire of the client and document the reason for that unexpected increase (actual increase does not correspond to expected increase).*

Example 2—Expected decrease in revenue

An accountant is engaged to review the financial statements of a client that either owns or manages or both owns and manages a shopping mall. Due to a poor economy, the mall lost tenants during the year; as such, the accountant reasonably expects revenue to decrease. Using his or her knowledge of the client, the client's business, and the industry in which the client operates, the accountant expects a 5 percent to 10 percent decrease in revenue during the year. Further, the accountant expects that general and administrative expenses should increase due to an increase in leasing and sales expenses and that management fees should decrease due to a decrease in tenants in the building.

Sample documentation

Pearl River Mall
Analytical Procedures
For the year ended December 31, 20XX

Expectations

The following are factors that should affect the relationship between current and prior year amounts:

- *Loss of tenants due to poor economy should result in a decrease in revenue. Expected decrease is between 5 percent and 10 percent.*
- *Because of the increased number of vacancies, general and administrative expenses are expected to increase because of an increase in leasing and sales expenses. Expected increase is between 5 percent and 10 percent (corresponds with the decrease in revenue).*
- *Because of the decrease in the number of tenants in the building, management fees are expected to decrease between 5 percent and 10 percent (corresponds with decrease in revenue).*

Balance sheets and income statements are available for the current year and the two years prior to the current year.

Trend analysis

	Current Year	*Prior Year*	*Change*	*% Change*
Tenant revenue	*$7,233,000*	*$8,603,000*	*$(1,380,000)*	*(16.04)%*
Cost and expenses:				
Management fees	*339,000*	*387,000*	*(48,000)*	*(12.40)%*
General and administrative	*583,000*	*511,000*	*72,000*	*14.09 %*

Similar balance sheet analytics should be performed as those performed in Example 1 above.

The above documentation would be adequate; however, the results of the analytical procedures do not agree with the documented expectations associated with those procedures. Therefore, the accountant should inquire and document why the decrease in tenant revenue, the decrease in management fees, and the increase in general and administrative expenses exceeded expectations.

Example 3—No significant change in revenue or expenses expected

An accountant is engaged to review the financial statements of a small, privately held client in the candy store business. The accountant has performed a review of the financial statements of the candy store for each of the past five years with no significant change in revenue or expenses in any of those years. The accountant expects that trend to continue.

Sample documentation

Mom and Pop Candy Store
Analytical Procedures
For the year ended December 31, 20XX

Expectations

- *Based on discussions with the owner and manager, no significant changes from prior year amounts are expected.*

- ***All increases and decreases greater than 5 percent will be subjected to additional inquiries.***

Trend analysis

	Current Year	Prior Year	Change	% Change
Sales	$44,000	$39,000	$5,000	12.82%
Cost of goods sold	32,500	31,000	1,500	4.84%
Gross margin	11,500	8,000		
Gross margin as a % of sales	26.14%	20.51%		
Operating expenses	5,200	4,500	700	15.56%
Net income	6,300	3,500		

Similar balance sheet analytics should be performed as those performed in Example 1 above.

The above documentation would be adequate; however, the results of the analytical procedures do not agree with the documented expectations associated with those procedures. Therefore, the accountant may deem it appropriate to inquire and document why sales increased by an amount greater than expected. In addition, the accountant should inquire as to why there was not a comparable increase in cost of goods sold. Also, the accountant should discuss with the owner and manager why there is a greater than expected increase in operating expenses and document the results of the discussion.

Example 4—Expected Changes in Construction Contracts

An accountant is engaged to review the financial statements of a general construction contractor primarily engaged in the construction of commercial office buildings. The accountant has performed the review of this company's financial statements for several years and expects that the current project in process should yield a 5 percent gross profit margin consistent with similar projects in the past and in accordance with the initial project estimate.

Sample documentation

ABC Construction Contractors
Analytical Procedures
For the Year Ended December 31, 20XX

Expectations

- *Based upon discussions with the project manager, it is believed that the gross margin will be consistent with the 5 percent margin achieved in the past and in accordance with the initial project estimate.*
- *Any deviation in the margin greater than 1 percent will be subjected to additional inquiries.*

Trend analysis

Building Contract	*Current Year*	*Prior Year*	*Change*	*% Change*
Contract value	*$5.0 million*	*$5.0 million*		
Estimated costs at completion	*4.9 million*	*4.75 million*	*$150,000*	*3.15%*
Planned profit	*100,000*	*250,000*	*150,000*	*60.00%*
Costs incurred	*2.5 million*	*1.0 million*		
Profit recognized contract to date	*50,000*	*50,000*		

The above documentation indicates that the profit margin on the contract has slipped from 5 percent to 2 percent. Additionally, in accordance with the cost-to-cost method of percentage of completion accounting, it now appears that all of the contract profit was recognized in year 1. This may indicate a potential error in the original estimate or a project that is quickly running over budget. The result may be a reversal of profits recognized in earlier periods under the percentage of completion method of contract revenue recognition or a potential loss contract. Further inquiry of management should be considered to discuss potential project issues that will negatively affect profit recognition in the financial statements.

This Statement titled Omnibus Statement on Standards for Accounting and Review Services—2008 *was adopted unanimously by the assenting votes of the 7 members of the Accounting and Review Services Committee.*

Accounting and Review Services Committee (2007–2008)

Thomas A. Ratcliffe, *Chair*
Cassandra Camp
Richard DelGaudio
Martin C. Levin
Joseph A. Maffia
Douglas S. Mathison
Carolyn H. McNerney

AICPA Staff

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Vice President
Professional Standards

Michael P. Glynn
Technical Manager
Audit and Attest Standards

Note: *Statements on Standards for Accounting and Review Services (SSARSs) are issued by the AICPA Accounting and Review Services Committee (ARSC), the senior technical body of the institute designated to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity. ET section 202,* Compliance With Standards (*AICPA*, Professional Standards, *vol. 2), of the institute's Code of Professional Conduct requires an AICPA member who performs either a compilation or a review (the accountant) to comply with standards promulgated by the ARSC. The accountant should have sufficient knowledge of the SSARSs to identify those that are applicable to his or her compilation or review and should be prepared to justify departures from the SSARSs.*